

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 918 - HB 1262

March 23, 2011

SUMMARY OF BILL: Requires the investment policy of the Board of Trustees for the Tennessee Consolidated Retirement System (TCRS) to authorize a preference for investing system assets in Tennessee-based equity funds, or funds that have an active investment presence in Tennessee. Limits investment activity in Tennessee-based funds to 10 percent of all venture capital and private equity investments. Authorizes TCRS to invest as little as \$5,000,000, and to own up to 20 percent of an economic interest in Tennessee-based funds, or funds with an active investment presence in Tennessee.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$475,000

Assumptions:

- According to TCRS, this bill will increase operational and asset management costs for the Department of the Treasury.
- TCRS indicates that additional operational costs will include private equity consulting, legal fees, and administrative costs. Based on the information provided by TCRS, the recurring increase in state expenditures will be approximately \$100,000.
- TCRS indicates that asset management fees will be the approximate of 0.75 percent of total assets invested plus five percent on all earnings. The increase in asset management costs are dependent upon several unknown factors such as the amounts invested, rate of return, and the number of qualifying Tennessee-based funds. Based on information provided by TCRS, the recurring increase in state expenditures for asset management costs will be approximately \$375,000.
- TCRS indicates the Department will require an annual appropriation of approximately \$475,000 (\$100,000 + \$375,000) per year to accomplish the provisions of this bill.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with a large initial "J" and "W".

James W. White, Executive Director

/rnc